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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Libya

Oil Prices Cut Again to Stimulate Sales

Libya has cut oil prices for the third time this year to stimulate sales; output plummeted to an 11-year low in February. The government sale and buyback price on crude oil was cut by 30 cents per barrel to $11.40, effective April 1. The cost of the producing companies' equity oil fell by about 55 cents per barrel. Average company costs of Libyan crude are expected to be about $11.20.

Libya thus has recognized not only the need to cut the price of government oil, but also the need to give foreign oil companies incentives to boost production. If output is to rise substantially, Libya must sell more oil in markets traditionally controlled by the international companies. The state oil company has been unable to maintain sales of its overpriced oil in recession-hit international markets.

The two earlier price cuts came in January and February. The cut in January followed the pattern endorsed at the meeting of the Organization of Petroleum Exporting Countries in December. The overall effect was to leave average company costs essentially unchanged at about $11.70 per barrel, but to reduce the direct sale price of the government oil from $12.50 to $11.86. In February, Libya reduced the buyback and direct sales price of some of its lower quality crudes.

Despite the two earlier price cuts, production declined by 13 percent, to 920,000 barrels per day, in February. Output in 1974 averaged about 1.5 million barrels per day. (CONFIDENTIAL)

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